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Counterfeit Credit Cards in the "Plastic Triangle": Can Trademark Law Provide Any Relief?

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Counterfeit Credit Cards in the “Plastic Triangle”: Can Trademark Law Provide Any Relief?

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I. INTRODUCTION

Counterfeiting credit cards is the fastest growing form of credit card fraud, resulting in estimated annual worldwide losses of \$200 million.¹ In 1991, Visa International Service Association (Visa) reported losses of \$97 million² and Mastercard International, Inc. (Mastercard) reported losses of \$57 million.³ Once counterfeit credit cards are used, the banks or companies that issued the credit card are the ones that suffer the loss.⁴ This loss results in increased interest rates for cardholders.⁵ In addition, the banks which issue the cards must charge higher fees for the use of the cards.⁶ Credit card companies also pass on the cost of combating counterfeit cards to both the issuing banks and the merchants who accept the credit cards.⁷

A. Purpose

In order to combat the increase in counterfeit credit cards, major card companies such as Visa and Mastercard have instituted extensive campaigns to encourage all jurisdictions to enact strong criminal penalties, especially in nations where the use of counterfeit credit cards has become a major problem.⁸ Indeed, the U.S., as late as 1984, enacted its own legislation to strengthen criminal sanctions against forged credit cards.⁹ However, the effective enforcement of criminal sanctions is dependent on the whims, policies, and resources of each individual nation and is beyond the control of practitioners representing credit card companies or the issuing banks.¹⁰ Such practitioners need a method to enforce their client's rights and recoup some of the losses not within the realm of foreign law enforcement.

This Comment addresses one possible civil remedy,¹¹ that of trademark infringement. Trademark infringement is widely used against counterfeit products¹² and practitioners can draw a strong analogy between trademark infringement and counterfeit

1. Interview with Donn K. Sickles, Vice President of Visa International and Ben R. Petty, Security Director, Visa International, in Foster City, CA. (Oct. 9, 1992) [hereinafter Sickles Interview].

2. *Consumer Credit: Rise in Fraud Calls for New Credit Card ID*, L.A. TIMES, Sept. 9, 1992, at D2.

3. Bob Drogin, *Losing Million Is Asia's Notorious 'Plastic Triangle'*, L.A. TIMES, June 23, 1992, at 1.

4. Sickles Interview, *supra* note 1.

5. *Id.*

6. *Id.*

7. *Id.*

8. *Id.*

9. 18 U.S.C. § 1029 (1993) (known as the Credit Card Fraud Act of 1984).

10. Sickles Interview, *supra* note 1. For example, the government of the Netherlands states that its current penal laws are perfectly adequate to address counterfeit credit cards, but they do not have the law enforcement resources to make the crime a priority. *Id.*

11. This Comment does not conclude that trademark infringement is the only possible civil remedy. Other remedies, such as general fraud statutes, may be available, but are beyond the scope of this Comment.

12. See Milton Springut & Robert L. Tucker, *Battling the Counterfeiting Contagion: The Nuts and Bolts of Fighting Counterfeiters*, 14 AIPLA Q. J. 263, 266 (1986) (describing the process of counterfeiting products).

credit cards.¹³ Like counterfeiting credit cards, counterfeiting products has become a problem with significant worldwide implications.¹⁴ As of 1986, the sale of counterfeit products were estimated to cost legitimate manufacturers over \$1 billion worth of business in the U.S. alone—covering everything from luxury goods, drugs, auto and helicopter parts, and even pacemakers.¹⁵ In fact, one federal case discussing the problem of counterfeit products listed credit cards as one of the many products being counterfeited.¹⁶ Companies and individuals engaged in counterfeiting, especially in places such as the Far East where such activities are particularly prevalent, are difficult to find and have few reachable assets.¹⁷ Their activities are difficult to attack through patent infringement actions, placing the greater emphasis on trademark and copyright laws under which summary proceedings are usually available.¹⁸

One of the reasons behind recent legislation targeting counterfeit trademarks in the U.S.¹⁹ was the fact that the operations of commercial counterfeiting groups began to resemble those of organized crime in their use of drug trafficking methods to transport their wares.²⁰ This resemblance applies particularly well to counterfeit credit cards, which come directly from the more notorious criminal organizations of the Far East.²¹ Notwithstanding the enactment of criminal penalties for both counterfeit credit cards and counterfeit products, the need for individual enforcement of one's own trademark rights continues to exist with regard to both offenses.²² Examining the trademark provisions with regard to credit card counterfeiting in all countries where it exists in any significant proportion would exceed the scope of this Comment. Therefore, this Comment limits its focus to Hong Kong, often considered the heart of the "plastic triangle."²³

13. The actual basics of the two activities are quite similar. *Id.* For example, a counterfeit Rolex watch, a popular counterfeit product, typically enters the U.S. without a face. *Id.* The counterfeiter removes the movement, prints a counterfeit trademark on the face, reinstalls the movement, and deceives a consumer into paying a "great price" for what they think is a genuine Rolex. *Id.* Credit card counterfeiters will typically create a card with the appearance of a valid credit card, including trademarks and the issuing bank's name, and then emboss the counterfeit card and encode the magnetic stripe with a stolen account number. VISA INTERNATIONAL, PAYMENT CARD LEGISLATION (1992) [hereinafter VISA INT'L]. The card is then used on an unsuspecting merchant who believes it to be valid. *Id.*

14. See generally Neil A. Smith, *Obtaining Early and Effective Relief Against Trademark Counterfeiting*, 10 HASTINGS COMM. & ENT. L.J. 1049 (1988) (discussing the dangers and possible solutions to product counterfeiting).

15. Neil A. Smith, *Remedies Against Trademark Counterfeiting, Introduction*, 14 AIPLA Q. J. 231, 231 (1986).

16. *Fimab-Finanziaria Maglificio Biellese Fratelli Fila v. Helio Import/Export, Inc.*, 601 F. Supp. 1, 2 (S.D. Fla. 1983).

17. Victor Siber & Daniel G. Wendin, *Counterfeiting Problems in the Far East*, in *PRODUCT COUNTERFEITING* 231, 236 (David A. Gerber ed., PLI, 1984).

18. *Id.*

19. Pub. L. No. 948-473, Ch. XV, 98 Stat. 2178 (1984).

20. Brian J. Kearney, Note, *The Trademark Counterfeiting Act of 1984: A Sensible Legislative Response to the Ills of Commercial Counterfeiting*, 14 FORDHAM URB. L.J. 115, 131 & n.96 (1986).

21. See *infra* notes 47-49 and accompanying text (discussing the Asian Triads and their involvement in credit card counterfeiting).

22. Springut & Tucker, *supra* note 12, at 265.

23. Drogin, *supra* note 3 (describing the "plastic triangle" as the center of the global market in counterfeit credit cards and charge cards that includes Thailand, Malaysia, and Southern China). Half of all counterfeit card losses were in Asia in 1991 and nearly half of those were traced in one way or another to Hong Kong. *Id.*

Subpart I.B gives a brief introduction to the problem of counterfeit credit cards.²⁴ This introduction describes how valid credit cards work and methods of counterfeiting.²⁵ It also discusses the Asian crime organizations that are at the heart of the counterfeiting activity.²⁶ Part II of this Comment describes the trademark provisions of U.S. law in order to provide a reference point for later discussion.²⁷ It starts with an introduction to the basic premise of trademarks before turning to the specifics of the U.S. approach.²⁸ In discussing the U.S. law, Part II covers both trademark infringement actions under the Lanham Act,²⁹ as well as actions under unfair competition.³⁰ The final section of Part II addresses the remedies available for trademark actions, such as ex parte orders, damages, and profits.³¹ Part III focuses on the actions available under Hong Kong's trademark laws.³² Like the discussion of U.S. law, the section on the law of Hong Kong covers both actions for infringement and actions for unfair competition, known as "passing-off."³³ The remainder of Part III describes the remedies available in Hong Kong.³⁴ Part IV of this Comment reviews the disadvantages in using trademark law to pursue criminal organizations, including problems of identifying the counterfeiters and identifying and attaching their assets.³⁵ Finally, subparts IV.B and IV.C propose the main advantage of using trademark claims, and discuss the role practitioners can play in strengthening criminal penalties, the most effective solution to the problem of counterfeit credit cards.³⁶

B. The Problem: The Cards and the Counterfeiters

Two of the major U.S. credit card companies, Visa and Mastercard, are associations made up of member banks.³⁷ For example, Visa consists of 27,000 member banks worldwide.³⁸ Member institutions issue the cards with the card company's trademark

Hong Kong Chinese have been arrested using forged credit cards in at least 22 countries from Austria to Australia. *Id.*

24. See *infra* notes 37-49 and accompanying text (detailing the problems engendered by counterfeit credit cards).

25. *Id.*

26. *Id.*

27. See *infra* notes 50-94 and accompanying text (addressing the U.S. trademark laws).

28. See *infra* notes 53-62 and accompanying text (giving an introduction to trademark law).

29. 15 U.S.C. §§ 1051-1127 (1993).

30. See *infra* notes 63-82 and accompanying text (discussing the actions of trademark infringement and unfair competition in the United States).

31. See *infra* notes 83-94 and accompanying text (discussing the remedies under U.S. law).

32. See *infra* notes 95-159 and accompanying text (addressing the Hong Kong trademark ordinance and remedies).

33. See *infra* notes 98-122 and accompanying text (discussing the Hong Kong causes of action).

34. See *infra* notes 123-59 and accompanying text (describing the Hong Kong remedies).

35. See *infra* notes 160-99 and accompanying text (addressing the disadvantages of using trademark law against credit card counterfeiters).

36. See *infra* notes 204-11 and accompanying text (discussing various solutions to counterfeit credit cards).

37. Sickles Interview, *supra* note 1.

38. *Id.*

and the bank's name, and determine the terms and conditions of providing the card service to both cardholders and merchants.³⁹

Merchants, after accepting a charge or credit card, deposit that charge with their own bank, and draw on that deposit in the same manner as any of their other funds.⁴⁰ The issuing bank then reimburses the merchant's bank, or the credit card company in the cases of American Express and Diner's Club, for the amount charged.⁴¹ Since counterfeit cards contain actual valid account numbers,⁴² the issuing bank does not usually discover the use of the forged card until the customer to whom the valid account number belongs receives their bill.⁴³ This is often as much as a month after the transaction occurred.⁴⁴ The issuing bank is responsible for the amount charged, because a valid authorization was given to the merchant for the charge on that counterfeit card.⁴⁵

Credit card counterfeiters obtain valid credit card numbers from collusive merchants and employees in such places as hotels and restaurants, and place the valid numbers on forged cards which often have magnetic stripes and holograms.⁴⁶

Asian criminal organizations known as triads are responsible for the majority of the counterfeit credit cards in the Far East.⁴⁷ Members of the triads exercise significant control over Hong Kong's entertainment industry—owning shares in night clubs, bars, and

39. *Asian Organized Crime: The New International Criminal, Hearings Before the Permanent Subcomm. on Investigations of the Senate Comm. on Governmental Affairs*, June 18, 1992, at 2 [hereinafter *Hearings*] (statement of Donn Sickles, Vice President of Security and Investigations, Visa International).

40. Sickles Interview, *supra* note 1.

41. *Id.*

42. VISA INT'L, *supra* note 13. See *Hearings*, *supra* note 39, at 6-14 (statement of Donn Sickles, Vice President of Security and Investigations, Visa International) (discussing the counterfeiting schemes engaged in by the Asian organized crime groups).

43. Sickles Interview, *supra* note 1.

44. *Id.*

45. *Id.*

46. VISA INT'L, *supra* note 13. See *Hearings* *supra* note 39, at 1-6 (statement of Scott E. Orchard, Staff Investigator, Permanent Subcomm. on Investigations) (discussing the organization of the Hong Kong major crime groups or "triads" and their activities). The magnetic strip on credit cards is duplicated by using a computer to encode data that tells mechanical card readers in stores that the transaction is valid. Alana Kainz, *Carbon Copies: Guard That Credit Card*, VANCOUVER SUN, Aug. 10, 1992, at D10. Holograms, introduced in the early 1980s to make cards more difficult to counterfeit, are now easily copied. *Id.* See generally VISA INT'L, *supra* note 13; *Hearings*, *supra* note 39, at 6-14 (statement of Donn Sickles) (discussing the methods by which credit cards are counterfeited).

47. Drogin, *supra* note 3. For example, one gang forged the cards in Hong Kong and then three-to-six-member teams of "drivers" fanned out to South Africa, England, France, Italy, Switzerland, Austria, and other countries, loading up on Rolex watches, cameras, and other luxury goods for resale in Hong Kong. *Id.*

movie production companies.⁴⁸ The triads also use cash intensive businesses to aid in other criminal activities, such as drug trafficking.⁴⁹

II. THE U.S. APPROACH: A REFERENCE POINT

The banks and credit card companies whose trademarks have been counterfeited can seek redress under the federal statutes for registered trademarks⁵⁰ or under the common law of unfair competition.⁵¹ Remedies for infringed trademarks include damages and profits as well as ex parte seizures of evidence.⁵² After an introduction to the concepts of trademarks, the following sections discuss each of the actions and their remedies.

A. Introduction to Trademark Law

A trademark is "a distinctive mark of authenticity, through which the products of particular manufacturers or the vendible commodities of particular merchants may be distinguished from those of others; [i]ts office is to point out distinctively the origin or ownership of the articles to which it is affixed."⁵³ A trademark is defined in the U.S. Code as "any word, name, symbol, or device, or any combination thereof adopted and used by a manufacturer or merchant to identify his goods and distinguish them from those manufactured or sold by others."⁵⁴ The trademark is one component of the triad of intellectual property, which also includes copyrights and patents.⁵⁵ "The trademark . . . has been called 'one of the oldest and most important of human institutions,'"⁵⁶ dating back to ancient Rome and Greece.⁵⁷

48. *Hearings*, *supra* note 39, at 9 (statement of Mr. Ma, former triad member). Triads actually serve as umbrellas for smaller criminal organizations. *Id.* at 1 (statement of Scott Orchard). Unlike traditional criminal organizations such as the Mafia, the triads do not have strictly organized and hierarchical organizations. *Id.* at 9 (statement of Mr. Ma). Instead, lower level members engage in their own criminal enterprises and often form joint ventures with outside members. *Id.* at 13 (statement of David Cohen, Associate Deputy Director for Intelligence, Financial Crime Enforcement Network). The triad leadership then gets a share of the profits by virtue of their position, even if not directly involved. *Id.*

49. *Id.* at 13 (statement of David Cohen); *id.* at 17 (statement of Robert W. Koppe Jr., Assistant Director, Financial Crime Enforcement Network). These businesses include travel agencies, restaurants, and trade and export companies. *Id.*

50. *See infra* notes 63-75 and accompanying text (detailing actions under the Lanham and Trademark Counterfeiting Acts).

51. *See infra* notes 76-82 and accompanying text (addressing the law of unfair competition).

52. *See infra* notes 83-94 and accompanying text (addressing the remedies under trademark law).

53. BLACK'S LAW DICTIONARY 1493 (6th ed. 1990).

54. 15 U.S.C. § 1127 (1993). The Lanham Act also provides for registration of service marks. *Id.* § 1053. A service mark is "any word, name, symbol, or device . . . [used] to identify and distinguish the services of one person . . . from the services of others." *Id.* § 1127. Marks used on credit cards are registered as service marks. Sickles Interview, *supra* note 1. Recently, Hong Kong enacted provisions permitting the registration of service marks. *See infra* notes 98-104 and accompanying text (discussing the Hong Kong service mark provisions).

55. Kearney, *supra* note 20, at 115 & n.1.

56. *Id.* at 115-16.

57. STEPHEN P. LADAS, 1 PATENTS, TRADEMARKS, AND RELATED RIGHTS; NATIONAL AND INTERNATIONAL PROTECTION 8 (1975).

Trademarks serve three functions: indication of the source of the goods, the quality of the goods, and an easy means of advertising the goods.⁵⁸ Rights to a trademark are often gained through the registration of the mark with a central office.⁵⁹ In order for an owner to be able to register a trademark, the mark must be primarily a symbol or device which marks out and distinguishes the merchandise of one producer from that of another.⁶⁰ The "mark must be affixed or attached to the merchandise itself [and] obtrusive enough to thrust itself upon the attention of the buyer."⁶¹ In terms of counterfeit trademarks, "[c]ounterfeiting in its purest definition, applies to the use of identical or substantially indistinguishable marks in connection with goods or services that are substantially similar to those of a trademark owner."⁶²

B. The U.S. Trademark Acts

Trademark infringements are covered under the Lanham Act of 1946,⁶³ as amended by the Trademark Counterfeiting Act of 1984.⁶⁴ The Lanham Act defines a counterfeit mark as a "spurious mark which is identical with, or substantially indistinguishable from, a registered mark."⁶⁵ Similarly, the Trademark Counterfeiting Act defines a counterfeit mark as:

[A] counterfeit of a mark that is registered on the principal register in the United States Patent and Trademark Office for such goods or services sold, offered for sale, or distributed and that is in use, whether or not the person against whom relief is sought knew such mark was so registered.⁶⁶

Thus, the infringer must use an identical or substantially indistinguishable mark for the same goods or services for which the trademark owner has registered the mark.⁶⁷

The traditional action for infringement is set forth in section 1114 which sets forth trade or service mark infringement as the use in commerce of any reproduction,

58. Robert Conlon, *Commercial Product Counterfeiting: An Overview*, in 1(4) A PRACTICAL APPROACH TO PATENTS, TRADEMARKS, AND COPYRIGHTS 273, 274 (1980).

59. LADAS, *supra* note 57, at 8.

60. *Id.*

61. *Id.* at 31.

62. Victor Silber, *Counterfeiting Problems in the Far East*, in PRODUCT COUNTERFEITING 231, 234 (David A. Gerber, PLI, 1984). Cf. Warner Bros. v. Dae Rim Trading, 677 F. Supp. 740, 754 (S.D.N.Y. 1988) (holding that a product could not be termed counterfeit where there was no name or sign or other false claim made by the copyright holder).

63. Lanham Act (codified at 15 U.S.C. §§ 1051-1127 (1993)).

64. Trademark Counterfeiting Act of 1984, Pub. L. No. 948-473, Ch. XV, 98 Stat. 2178 (1984). For the text of the relevant provisions of the act, refer to Appendix A. The Trademark Counterfeiting Act amends the Lanham Act to recognize counterfeiting as a particular trademark infringement. Michael D. McCoy & James D. Meyers, *Ex-Parte Seizure Order Practice After the Trademark Counterfeiting Act of 1984*, 14 AIPLA Q. J. 237, 238 (1986). The Act was adopted partly to address the circumstances that warrant the granting of ex parte seizures. *Id.* See also *supra* notes 84-86 and accompanying text (discussing the remedy of ex parte seizures).

65. 15 U.S.C. § 1127 (1993). A registered mark refers to a mark registered with the U.S. Patent and Trademark Office. *Id.*

66. *Id.* § 1116.

67. Smith, *supra* note 14, at 1056-57.

counterfeit, copy, or colorable imitation of a mark without the consent of the registrant in connection with the sale, offering for sale, distribution, or advertising of any goods where such use is likely to cause confusion, mistake, or deception of any kind.⁶⁸ The likelihood of confusion is the main test for infringement.⁶⁹ The Trademark Counterfeiting Act amended the Lanham Act to "strengthen the laws against the counterfeiting of trademarks"⁷⁰ through penal sanctions⁷¹ and large monetary penalties.⁷²

It is unlikely that trademark owners would not be able to meet these elements with regard to counterfeit credit cards. Because counterfeiters have become so adept at copying the Visa's mark, hologram, and lasermark, the forged cards easily qualify as substantially indistinguishable, if not identical.⁷³ The counterfeit cards are either sold or used to purchase goods.⁷⁴ Thus, the cards are used in connection with the service for

68. 15 U.S.C. § 1114 (1993).

69. See *Playboy Enters. v. P.K. Sorren Export Co.*, 546 F. Supp. 987, 995 (S.D. Fla. 1982) (holding that the plaintiff need only show that the false mark was likely to confuse consumers at first impression and not that it was completely indistinguishable from the true mark). Cf. *McCoy & Meyers*, *supra* note 64, at 248 (noting that a finding that a counterfeit mark is identical to a registered mark and used on goods which are subject to registration should easily satisfy the requirement that the use of the counterfeit mark is likely to cause confusion). The determination of whether a trademark is identical or substantially indistinguishable is left to a case-by-case analysis based on the standpoint of an average purchaser. *Id.*

70. Kearney, *supra* note 20, at 120 & n.30.

71. See 15 U.S.C. § 2320 (1993) (setting forth the criminal provisions for counterfeiting trademarks). Previously, the Lanham Act had failed to provide criminal penalties for commercial counterfeiting. Kearney, *supra* note 20, at 131. A more detailed analysis of U.S. criminal provisions is beyond the scope of this Comment.

72. Kearney, *supra* note 20, at 121. For further discussion of the monetary penalties imposed by the amendments to the Lanham Act, see *infra* notes 87-94 and accompanying text (discussing the damages and profits under the U.S. approach).

73. Drogin, *supra* note 3, at 1. A chief investigator for Hong Kong's Independent Commission Against Corruption described one of the forged credit cards as "an obscure bank, good printing. And when the Mastercard people saw that hologram, they went white." *Id.*

74. Sickles Interview, *supra* note 1; Interview with Daniel A. Grove, Managing Director, Pinkerton (Asia) Ltd., Sacramento, CA (Jan. 31, 1993) [hereinafter Grove Interview].

which the mark was registered.⁷⁵ It goes without saying that the triads are never authorized by the mark's owner to use the mark.

C. Actions for Unfair Competition

An alternative approach to combating trademark infringement lies in the action for unfair competition.⁷⁶ This cause of action stems from the old common-law principle that there is unfair competition where there is intent on the part of the defendant to represent his goods as the goods of another.⁷⁷ According to the Lanham Act, anyone who uses a false description or representation in commerce in connection with goods or services is liable for unfair competition.⁷⁸ The scope of unfair competition is broader than that of traditional trademark infringement.⁷⁹ Consequently, the unfair competition cause of action can provide relief where trademark infringement might fail.⁸⁰

The need for some kind of protection for product differentiation devices that are not technically trademarks is fairly obvious. . . . In order to protect the manufacturer's efforts and the public's ability, to distinguish one product from another, [section 1125(a)] prohibits that kind of unfair competition which is analogous to the misappropriation of trademarks and trade names.⁸¹

The requirement of likelihood of confusion discussed with regard to a registered trademark is also present in an action for unfair competition. Since the major credit card

75. Examples of various counterfeiting schemes include the following:

In August 1992, police in Kuala Lumpur arrested a credit card forgery ring suspected of swindling credit card companies out of at least \$2.3 million. *Nine Men Held in Crackdown on Credit-Card Forgery Syndicate*, THE STRAITS TIMES (Malay.), Aug. 12, 1992, at 19. Following the arrests, police seized \$400,000 worth of jewelry believed to have been purchased with the forged cards, 1151 forged credit cards, computer equipment, encoding machines, signature panels, and stamping machines. *Id.* The gang sold their forged cards for between \$1500 and \$2500 each. *Id.* The cards surfaced at retail establishments in Europe, Japan, Hong Kong, Thailand, Singapore, and Malaysia. *Id.*

In May 1992, police arrested the night manager of the Hotel Conrad, a plush luxury hotel in Hong Kong's central district. Drogin, *supra* note 3. For over a year, the manager had sold credit card slips from guests for a total of \$3766. *Id.* A local gang then used the information from the authentic credit slips to make counterfeit copies for use around the world. *Id.*

In the Fall 1992, three triad members were arrested in Guam when they purchased over \$300,000 worth of expensive watches. *Hearings, supra* note 39, at 12 (statement of Mr. Ma). They entered Guam from Hong Kong, while the counterfeit cards were concealed in a hollowed-out book and sent by courier. *Id.* at 12-13. The card graphics were of a Hong Kong bank, while the account numbers were from banks in the U.S., U.K., and Japan. *Id.* at 13. According to one of the men arrested, the trio was testing the market in Guam before continuing on to Hawaii and the West Coast of the U.S. *Id.* at 13. See generally *Hearings, supra* note 39 (detailing various counterfeiting activities discovered by law enforcement authorities).

76. In making a pleading for trademark infringement, it is good practice to include pleadings for both trademark infringement and unfair competition in the event the accused mark does not meet the statutory criteria designating it as a counterfeit mark. McCoy & Meyers, *supra* note 64, at 245.

77. LADAS, *supra* note 57, at 41.

78. 15 U.S.C. § 1125(a) (1993).

79. ETHAN HORWITZ, 3 WORLD TRADEMARK LAW AND PRACTICE (USA) 7-6 (2nd ed. 1988).

80. *Id.*

81. *Id.*

companies can register their trademarks, the action of unfair competition is not important in the United States,⁸² but will prove more important in the discussion of Hong Kong's provisions.

D. Remedies

Federal remedies under sections of the Lanham and the Trademark Counterfeiting Acts include temporary restraining orders, injunctions, plaintiff's damages, disgorgement of defendant's profits, plaintiff's costs and attorney's fees, and ex parte seizure orders.⁸³ The remedies most applicable to counterfeit credit cards are seizure orders, damages, profits, and costs and fees.

1. Ex Parte Seizure Orders

The availability of seizure orders is intended to thwart bad faith tactics such as destroying or moving counterfeit merchandise or records; a tactic widely prevalent in criminal activities such as counterfeiting credit cards.⁸⁴ This remedy can prove extremely useful in actions against the counterfeiting organizations. Under U.S. law, a court "may upon ex parte application, grant an order providing for the seizure of goods and counterfeit marks involved in such violation and the means of making such marks, and records documenting the manufacture, sale, or receipt of things involved in such violation."⁸⁵ The plaintiff must show irreparable injury from the defendant's activities and a substantial likelihood that the goods and records would disappear if notice of the seizure was given.⁸⁶

2. Damages and Profits

Under the Trademark Counterfeiting Act, any established trademark infringement or unfair competition action entitles the plaintiff to receive the defendant's profits, any damages sustained by the plaintiff, and the costs of the action.⁸⁷ It is usually impossible to prove the quantitative damages a trademark owner experiences when its trademarks are

82. See *infra* notes 98-104 and accompanying text (discussing the new service mark provisions of Hong Kong's trademark laws).

83. 15 U.S.C. §§ 1114, 1116, 1117, 1125 (1993).

84. McCoy & Meyers, *supra* note 64, at 247.

85. 15 U.S.C. § 1116(d)(1)(A) (1993). The provision allowing the seizure of the equipment used to counterfeit the trademarks parallels a similar provision enacted the same year in the Credit Card Fraud Act of 1984. 18 U.S.C. § 1029 (1993). Section 1116 codifies the availability of ex parte seizures first recognized in *In re Vuitton et Fils S.A.* 606 F.2d 1 (2d. Cir. 1979). Springut & Tucker, *supra* note 12, at 269. The ex parte seizure order derives from the common-law writ of replevin designed to restore possession of a disputed chattel to the plaintiff during the pendency of the action. Kearney, *supra* note 20, at 156-57. These orders appear tailor made for civil actions against commercial activity where notice may serve to alert a defendant to an impending action resulting in his flight from the jurisdiction or otherwise rendering impossible to obtain meaningful judgement. *Id.* at 158.

86. 15 U.S.C. § 1116(d)(4)(B) (1993).

87. *Id.* § 1117(a) (1993).

counterfeited.⁸⁸ Consequently, awards are typically based on a counterfeiter's profits.⁸⁹ In exceptional cases, the plaintiff can also receive reasonable attorney's fees.⁹⁰

More importantly, the Act provides that whenever the plaintiff can show that the infringer intentionally used the mark knowing that it was counterfeit, unless the court finds extenuating circumstances,⁹¹ the court shall enter judgment for three times the damages or defendant's profits.⁹² Previously, awards of treble damages were completely within the court's discretion.⁹³ While many counterfeiters may have few assets to satisfy such large judgements, provisions such as treble damages may still serve as deterrents. The underlying principle behind these efforts is that "the actions a trademark owner takes against a counterfeiter result in penalties stronger than awards which can be factored into the 'cost of doing business.'"⁹⁴

III. THE HONG KONG APPROACH—TRADEMARK INFRINGEMENT ACTIONS IN THE "PLASTIC TRIANGLE"

In Hong Kong, credit card companies and issuing banks are most likely to succeed in recovering damages through the use of unfair competition claims.⁹⁵ In addition, Hong Kong has recently allowed credit card companies to register their marks in Hong Kong, making traditional infringement actions a viable option.⁹⁶ Remedies available in Hong Kong are similar to those found in the United States.⁹⁷ These two actions and their remedies are discussed in the following sections.

88. Springut & Tucker, *supra* note 12, at 275.

89. *Id.* To obtain an accounting of profits, courts usually require that defendant's infringement infer some connotation of intent. William C. Steffin, *Trademark Law in Product Counterfeit Cases*, in *PRODUCT COUNTERFEITING* 106 (David A. Gerber, PLI, 1984).

90. 15 U.S.C. § 1117(a) (1993).

91. Extenuating circumstances include situations where the defendant is an "unsophisticated individual, operating on a small scale, whose conduct poses no risk to the public health or safety, and for whom the imposition of treble damages would mean that he or she would be unable to support his or her family." Smith, *supra* note 14, at 1063.

92. 15 U.S.C. § 1117(b) (1993).

93. Springut & Tucker, *supra* note 12, at 275. *Cf.* *Playboy Enters. v. Sorren Export Co.*, 546 F. Supp. 987, 998 (S.D. Fla. 1982); *Boston Professional Hockey v. Dallas Cap*, 597 F.2d 71, 78 (1979) (stating that an award of up to three times the amount of defendant's profits is discretionary).

The Senate Committee on the Judiciary noted two reasons for establishing mandatory treble damages: (1) such awards will significantly deter suspects from engaging in such activity; and (2) Federal prosecutors lack the resources to bring criminal charges against more than a fraction of the trademark counterfeiters. S. REP. NO. 526, 98th Cong., 2d Sess. 6 (1982).

94. Springut & Tucker, *supra* note 12, at 276.

95. See *infra* notes 105-22 and accompanying text (addressing unfair competition in Hong Kong).

96. See *infra* notes 98-104 and accompanying text (addressing Hong Kong's new service mark provisions).

97. See *infra* notes 123-59 and accompanying text (addressing Hong Kong's remedies for trademark counterfeiting).

A. Actions for Unfair Competition and Trademark Infringement

Until 1991, no provisions existed in Hong Kong for the registration of service marks.⁹⁸ In a 1976 case, *Bank of America National Trust and Savings Association Trade Mark*,⁹⁹ the Hong Kong Supreme Court refused registration because the mark—"used in banking services for the goods, printed matter, printed cards and publications all relating to banking and credit facilities"—was a service mark.¹⁰⁰ However, as of March 2, 1992, Hong Kong's Trademark Ordinances Act was amended to allow for the registration of service marks.¹⁰¹ Prior to the new amendment, service mark owners could only sue for the action of passing-off, since the use of a mark on goods or services other than those of a registration is not considered an infringement.¹⁰² Nevertheless, it will take at least a year or more to formally register all of the service mark applications.¹⁰³ Consequently, the current remedies still remain the card company's best option.¹⁰⁴

In addition to infringement of a registered trademark, a cause of action exists for the infringement of prior use of a trademark.¹⁰⁵ A mark owner may not actually sue for infringement under the prior use cause, but may sue for the common law right for passing-off.¹⁰⁶ The plaintiff in a passing-off cause of action must show proof that the trademark has a local reputation and that the defendant has infringed on plaintiff's rights by selling goods under a name or trade description that is likely to lead to confusion.¹⁰⁷

98. ETHAN HORWITZ, 2 WORLD TRADEMARK LAW AND PRACTICE (HK) 1-5 (2nd. ed. 1988) (citing *Bank of America National Trust and Savings Association Trade Mark*, decision of the Supreme Court of Hong Kong [1976] F.S.R. 582 (H.K.)).

99. [1976] F.S.R. 582 (H.K.).

100. *Id.* Cf. *Re Dee Corp.*, [1989] 3 All ER 948, 956 (Eng. C.A.) (holding that services which are merely incidental to or an adjunct of the retail selling of goods and which it was not the business or trade of the applicant to provide, could not support the registration of the service mark, since the constituents of the retail service relied on for registration were ancillary to and part and parcel of the function in trading goods). Rulings of the High Courts of the U.K., such as the Privy Council and the House of Lords, are binding on Hong Kong courts. Telephone interview with Timothy Hancock, Practitioner, Robin Bridges, Hong Kong (Nov. 18, 1992) [hereinafter Hancock Interview]. Even decisions of lower courts in England are considered highly persuasive. *Id.*

101. Hancock Interview, *supra* note 100. The eight new classes for service marks are advertising and business, insurance and financial, construction and repair, communications, transportation and storage, material treatment, education and entertainment, and miscellaneous. HORWITZ, *supra* note 98, at HK 1-6 n. 30.

102. See generally HORWITZ, *supra* note 98, at HK 7-2 & n.2. Passing-off is the practice of selling one person's product or service under the name or mark of another. *Smith v. Montoro*, 648 F.2d 602, 604 (9th Cir. 1981).

103. Hancock Interview, *supra* note 100.

104. *Id.* For the relevant portions of Hong Kong's Trademark Ordinance, refer to Appendix B.

105. HORWITZ, *supra* note 98, at HK 7-2.

106. *Id.* See *supra* note 102 and accompanying text (defining the common-law right of passing-off).

107. *Id.* at HK 7-2 & n.12. If reputation of a trademark is not established, the issue of confusion will never arise. *Id.* The requirements for the passing-off action were also set forth in detail in *Reckitt and Colman Products Ltd. v. Border Inc.*, [1990] 1 All ER 873 (Eng.). The requirements were set forth as follows:

- (a) that there was a goodwill or reputation attached to the goods or services which he supplied in the minds of the purchasing public association with their identifying get-up,
- (b) that there was a misrepresentation to the public likely to lead the public to believe the goods or services offered by him were the goods or services of the plaintiff, and
- (c) that he was suffering or was likely to suffer damage by reason of erroneous belief engendered by the defendant's misrepresentation.

In order to prove reputation, the plaintiff must show that the mark or description in issue has "become in the mind of the public distinctive of one particular trader and no other," so that the mark has come to mean that the product comes from a particular commercial source.¹⁰⁸ Given that Hong Kong is a center for both the financial and tourism industries, it is unlikely that the public is unfamiliar with the marks of the major credit cards, or that they do not associate those marks with the issuing company or bank. In addition, a card presented to a merchant for purchase, containing a counterfeit mark of the quality currently being shown by the triads, is likely to confuse the merchant into believing that the card is genuine and that the service it represents is valid.

The second requirement of the passing-off action is that the counterfeit mark is likely to cause confusion among the public as to the company providing the goods or services.¹⁰⁹ In *Shaw Bros. (Hong Kong) Ltd. v. Golden Harvest, Ltd.*,¹¹⁰ a Hong Kong court held that in the tort of passing-off, it is not necessary for the plaintiff to have the sole right to a trade description, only that the defendant is using a false trade description which is likely to cause confusion with the plaintiff's goods.¹¹¹

The plaintiff and the defendant must be in a common field of business.¹¹² For instance, the trademark for "Mercedes Benz" is well-known when associated with motor vehicles. The same trademark placed on motorbikes is likely to cause confusion because both are in the common field of transportation. However, few people if any would be confused with the use of the "Mercedes" trademark on soap.¹¹³

Another example of a common field of activity is found in *Television Broadcasting, Ltd. v. Home Guide Publication Co.*¹¹⁴ In that case, the defendants changed the name of their low-circulation magazine to one using the same Chinese characters as the plaintiff's television program.¹¹⁵ The subject matter of both media items was similar and the plaintiffs were considering a magazine of their own associated with their program.¹¹⁶ The court held that there was a sufficient common field of activity between the parties to lead to confusion and that the defendants intended to deceive the public into believing that the defendant's magazine and the plaintiff's program were linked.¹¹⁷

In the same vein, both genuine credit cards and counterfeit credit cards are being used to purchase goods.¹¹⁸ The counterfeiters forge credit cards with the intention of deceiving merchants into believing that the card, was produced and authorized by the issuer. Consequently, it appears likely that a court would deem both the card issuers and the counterfeiters as occupying a common field of activity sufficient to cause public

Id. at 880. It was irrelevant whether or not the public was aware of the plaintiff's identity as the manufacturer or supplier of the goods in question, as long as they were identified with a particular source. *Id.*

108. HORWITZ, *supra* note 98, at HK 7-2 to 7-3 (citing *Jarman Platt Ltd. v. Barget Ltd.*, [1977] F.S.R. 260 (Eng.)).

109. *Id.*

110. *Shaw Bros. (Hong Kong), Ltd. v. Golden Harvest (H.K.), Ltd.*, [1972] H.K.L.R. 147.

111. *Id.* at 158.

112. HORWITZ, *supra* note 98, at HK 7-5.

113. Hancock Interview, *supra* note 100.

114. *Television Broadcasting, Ltd. v. Home Guide Publication Co.*, [1982] F.S.R. 505 (H.K.).

115. *Id.*

116. *Id.*

117. *Id.*

118. See *supra* note 75 (discussing various arrests of counterfeiters in recent years).

confusion.¹¹⁹ In addition, once service marks are formally registered, credit card companies and issuing banks will be able to use the action for trademark infringement against credit card counterfeiters.¹²⁰ Under section 27(1) of Hong Kong's trademark law, the owner of a formally registered mark has the exclusive right to use the mark in relation to the goods of the registration.¹²¹ This right is infringed by the use of a mark "identical with it or so nearly resembling it as to be likely to deceive or cause confusion" on the goods of the registration.¹²²

B. Remedies

1. Damages and Profits

Proceedings for a passing-off action may be commenced in the High Court of Hong Kong for civil remedies of damages, costs, injunctions, and delivering of infringing items.¹²³ In *McDonalds Hamburgers, Ltd. v. Burgerking (UK), Ltd.*,¹²⁴ the plaintiffs refused a settlement offer by the defendants who had given in an advertising campaign a misleading impression that they were connected with the plaintiff's "Big Mac" hamburger.¹²⁵ The defendants offered to settle the claim, providing that no damages were offered and each side would bear its own costs.¹²⁶ When the plaintiffs eventually won the case, the trial judge refused to order an inquiry as to damages or to order any costs.¹²⁷ The Court of Appeals held that while the court retained discretion to refuse an inquiry as to damages, where the plaintiff has an arguable case for claiming damages and where the prospects for recovery are not too slight, an inquiry will be ordered.¹²⁸

In an action for an infringement of a trademark, a plaintiff may choose between damages or an accounting of the infringer's profits.¹²⁹ However, the practitioner should make clear his desired option. In *Kemp v. Leung Chak Chaun*,¹³⁰ where the jury was not asked to assess damages, the court was not compelled to grant an accounting of profits or to define a particular scope for an accounting.¹³¹

119. The U.K. does not require a common field of activity for a passing-off action. HORWITZ, *supra* note 79, at UK 7-13.

120. See LAWS OF HONG KONG, ch. 43, § 27(1) (Trade Marks Ordinance) (stating that registration of a trademark gives the owner exclusive rights to the mark and that use of a similar mark constitutes infringement).

121. HORWITZ, *supra* note 98, at HK 7-1.

122. *Id.*

123. *Id.* at HK 7-9. Appeals go from the High Court to the Court of Appeals for Hong Kong and finally to the Privy Council of the United Kingdom. *Id.*

124. *McDonald's Hamburgers, Ltd. v. Burgerking (UK), Ltd.*, [1987] F.S.R. 112 (CA).

125. *Id.* at 115-17.

126. *Id.*

127. *Id.* at 117.

128. *Id.* at 119-20.

129. *Kemp v. Leung Chak Chaun*, [1909] 5 H.K.L.R. 65, 67.

130. [1909] 5 H.K.L.R. 65.

131. *Id.* at 67.

2. Anton Pillar Orders

Hong Kong law provides for a proceeding similar to the U.S. ex parte seizures, known as an "Anton Pillar" order.¹³² Such an order permits the plaintiff, usually accompanied by his solicitor, to enter the defendant's premises to inspect, photograph, copy, and attach infringing goods and evidence.¹³³ The court may also require the infringer to disclose to the trademark owners "the names and addresses of all persons, firms, or companies responsible for supplying the infringer with the items complained of or who had dealings with the infringer in respect of the infringements."¹³⁴ However, such orders are only issued in exceptional circumstances.¹³⁵ There must be a real possibility that the defendants would destroy the evidence before a court will issue an Anton Pillar order.¹³⁶

A defendant may have an Anton Pillar order discharged when the order is based on substantial nondisclosure on the part of the trademark owner, even if the nondisclosure is not deliberate or caused by an error in judgment.¹³⁷

132. Stephen Bigger, *Notes From Other Nations*, in 71 TRADEMARK REP. 257, 257 (1981). The "Anton Pillar" order originated in 1976 in the UK and has been widely used in British tape and record piracy cases to catch defendants "red-handed" with the infringing goods and the means of their manufacture before such evidence can be destroyed. *Id.*

133. *Id.* See HORWITZ, *supra* note 98, at HK 7-12 (describing the available actions under an Anton Pillar order).

134. HORWITZ, *supra* note 98, at HK 7-13. One commentator notes that "the infringer must be given an opportunity to seek legal advice as well as reasonable time to consider whether to comply with the [o]rder" and therefore recommends that such an order be executed well before closing hours to prevent the infringer from claiming that he cannot comply with the order because there is no attorney available. *Id.* at HK 7-13 & n.29 (citing A.R. Xavier, *Interim Measures to Prevent Infringement of Intellectual Property in Hong Kong*, 1988 E.I.P.R. 79, 80). The author goes on to recommend that in the event that execution of the order has to be postponed until the following day, "it is advisable to post guards at all exits of the premises in question." HORWITZ, *supra* note 98, at HK 7-13 & n.29.

135. *Technica Elecs., Ltd. v. Shin-Shirasuna Denki Kabushiki Kaisha*, [1981] H.K.L.R. 425, 426.

136. *Id.* In *Technica*, the court denied the order when the only evidence was that:

- (1) The external design of the defendant's product was identical to some that had been on sale in South America;
- (2) the defendants were putting their product into boxes with the same model number as that of the plaintiff;
- (3) that the defendants were exporting the product to South America and such a distant market would lead to the temptation to destroy the evidence;
- (4) there were additional investigations of the defendant's activities going on giving rise to the defendant's fear that "things were getting rather hot"; and
- (5) the product was not on display in the defendant's showroom and was only discovered by private investigators on a second visit.

Id. at 426-27.

137. HORWITZ, *supra*, note 98, at HK 7-13.

3. Mareva Injunction

A plaintiff may also obtain a Mareva injunction which prevents a defendant from transferring or removing assets from Hong Kong.¹³⁸ A court can order a Mareva injunction in an action for damages, and such an injunction exists side-by-side with the relief available under the rules of the Hong Kong Supreme Court.¹³⁹ For example, in *Honsaico Trading, Ltd. v. Hong Yiah Seng Co.*¹⁴⁰ the court addressed the issue of whether there was a real risk of the defendant dissipating his assets before satisfying a judgment in a contract dispute over the sale of rice.¹⁴¹ In assessing the risk that the defendants would attempt to dissipate their assets, the court considered as relevant the lack of reciprocity of enforcement of judgments between Hong Kong and the location of the assets, and the devious conduct of the defendants.¹⁴² The court stated that since the defendant had exhibited such poor standards of commercial morality in its dealings with the plaintiff, it had to conclude that the defendant would not shrink from attempting to defeat any judgment the plaintiff might obtain.¹⁴³

Like an Anton Pillar order, a court can discharge a Mareva injunction for nondisclosure.¹⁴⁴ Such an injunction is very fact sensitive; even if full disclosure is not made, the judge is not precluded from considering any application to continue or vary the order.¹⁴⁵

A plaintiff can also enforce a Mareva injunction through the use of an Anton Pillar order.¹⁴⁶ In *Refco Inc. and Troika Investment Ltd.*,¹⁴⁷ the plaintiff, a commodities broker, brought an action against the defendant for money due on a futures trading account.¹⁴⁸ The plaintiff obtained a Mareva injunction over the defendants' assets with \$400,000 withheld for the defendants' legal fees.¹⁴⁹ Later in the proceedings, the defendants requested an adjustment in the Mareva injunction to cover legal fees that were

138. *Id.* at HK 7-14. See *Chen Lee Hong-Man v. William Chen*, [1981] H.K.L.R. 176, 182 (defining a Mareva injunction as an "ex parte or interim injunction to restrain the defendant from removing assets from the jurisdiction pending the trial of the action, and the discretionary remedy may be applied both to money and goods and is to be exercised when it is just and convenient to do so.").

139. *Id.* at 184. See *supra* notes 123-31 and accompanying text (discussing damages under Hong Kong law).

140. *Honsaico Trading, Ltd. v. Hong Yiah Seng Co.*, [1989] H.K.L.R. 235.

141. *Id.* at 235-39.

142. *Id.* at 240.

143. *Id.*

144. *Jademan (Holdings), Ltd. and Wong Chun-loong*, [1990] H.K.L.R. 576, 580. The facts should be disclosed if they "are relevant to the weighing operation which the court has to make in deciding whether or not to grant the order." *Citibank v. Express Ship Management Servs., Ltd.*, [1987] H.K.L.R. 1184, 1190. In *Citibank*, the defendant sought to have the Mareva injunction discharged when the plaintiffs failed to disclose that they had hopes of recovering some of the money from third parties. *Id.* However, the court refused to discharge the order because, since such hopes were commercially unrealistic, the nondisclosure was not material. *Id.*

145. *Jademan*, [1990] H.K.L.R. at 581.

146. *Refco Inc. and Troika Inv., Ltd.*, [1988] H.K.L.R. 623, 627.

147. [1988] H.K.L.R. 623.

148. *Id.* at 625.

149. *Id.*

now running over \$1 million.¹⁵⁰ The plaintiffs then sought to require the defendants to disclose the sums expended on legal costs and how they had funded those costs.¹⁵¹ The court then granted an Anton Pillar order to preserve the documents and assets relating to the legal fees.¹⁵² The court stated that an Anton Pillar is used to preserve documents where there is a reasonable likelihood or legitimate fear that they will be tampered with or destroyed to the prejudice of the plaintiffs, and in the same vein should be available to "ensure that a Mareva injunction is effective over the assets it ought to cover."¹⁵³ However, the court did caution that a Mareva injunction is not a search warrant and plaintiffs should not use it to obtain evidence of contempt.¹⁵⁴

A plaintiff can also use a Mareva injunction to prevent a defendant from disposing of overseas assets.¹⁵⁵ First, there must be an arguable case that the plaintiff will recover a judgment.¹⁵⁶ Second, the court must be satisfied that the defendant has assets available to satisfy the judgement, but insufficient assets within the jurisdiction.¹⁵⁷ Finally, the court must believe that there is a real risk that the defendant may dispose of or conceal such foreign assets.¹⁵⁸ The same principle used to grant a Mareva injunction over assets within the jurisdiction—namely, that there is a real risk of "deliberate dissipation or concealment of assets before judgment"—is used when applying the doctrine to assets outside the jurisdiction.¹⁵⁹

IV. DISADVANTAGES AND ADVANTAGES

A. Disadvantages

There is no specific instance of the use of trademark law against credit card counterfeiting organizations, but current interpretations of both Hong Kong and U.S. law suggest that it is at least theoretically possible.¹⁶⁰ The biggest disadvantage with pursuing counterfeit credit cards under trademark infringement is the obvious problem of using a civil remedy to solve an essentially criminal problem. While the Hong Kong triads do not have the organizational hierarchy of the organized crime groups, they have the same efficiency, secrecy, and tradition of violence.¹⁶¹ In addition, with counterfeit products such as luxury goods, the first indication comes from the retailer, who is usually willing to provide the source of the product.¹⁶² Counterfeit credit cards, on the other

150. *Id.* at 626.

151. *Id.*

152. [1988] H.K.L.R. at 626.

153. *Id.* at 626-27.

154. *Id.* at 626.

155. *Bank of India v. Murjani*, [1989] 2 H.K.L.R. 318, 319. This case overruled a 1988 decision that stated that a Mareva injunction should not be used to inhibit dealings with assets outside the jurisdiction. *Id.* at 318-19.

156. *Id.* at 318.

157. *Id.*

158. *Id.*

159. *Id.*

160. Hancock Interview, *supra* note 100.

161. Grove Interview, *supra* note 74.

162. Springut & Tucker, *supra* note 12, at 267.

hand, usually do not show up until months after the purchase by which point the purchased goods, counterfeit cards, and counterfeiters are long gone.¹⁶³

1. Identifying the Counterfeiters

The problems of identifying credit card counterfeiters are numerous. Asian organized crime groups involved in credit card fraud are generally comprised of individuals from various elements who do not always stay with one specific group but move from one group to another.¹⁶⁴ Thus, the groups do not lend themselves well to penetration for long term undercover operations.¹⁶⁵ Most of the arrests have been based on lower level arrestees who provide information on their cohorts as part of a plea bargain.¹⁶⁶ The leaders of the organized crime groups are rarely arrested.¹⁶⁷ These groups have recruited individuals with criminal backgrounds from the People's Republic of China, including former members of the Chinese Army from Southern China.¹⁶⁸ These recruits provide an easy and quick way to make money.¹⁶⁹ They are useful to the Asian organized crime groups because they are expendable if caught.¹⁷⁰

Catching credit card counterfeiters in the act of using the cards is especially difficult.¹⁷¹ The leaders of the criminal organizations usually recruit a group of about six young Chinese males to travel to various locations around the world to purchase goods.¹⁷² These travelers are provided with stylish clothing and accessories to give the impression of affluent travelers which enables them to blend in with the clientele of the targeted merchants.¹⁷³ These groups usually travel using their own legitimate passports and identification documents.¹⁷⁴ The counterfeit cards, along with counterfeit identification supporting the credit cards, are usually sent by legitimate worldwide courier services to a contact in the target destination; by using this method the mission is not jeopardized in the event that the members and their luggage are searched as they enter the country.¹⁷⁵

Even when the Hong Kong police do arrest credit card counterfeiters, they typically only get a mid-level group in the triad who may or may not be taking direction from a larger organization.¹⁷⁶ For example, in December 1992, Hong Kong police arrested a

163. See *Hearings*, *supra* note 39, at 21 (statement of Kenneth Yates, Metropolitan Toronto Police Department) (discussing the time lag between the use of a forged card and notice to the cardholder).

164. *Id.* at 8 (statement of Donn Sickles).

165. Grove Interview, *supra* note 74.

166. *Id.*

167. *Hearings*, *supra* note 39, at 8 (statement of Donn Sickles).

168. *Id.*

169. *Id.* at 8-9.

170. *Id.*

171. *Id.* at 8.

172. *Id.* at 9.

173. *Id.* at 9-10.

174. *Id.* at 10.

175. *Id.*

176. Telephone interview with Scott Orchard, Staff Investigator, Permanent Subcomm. on Investigations, Senate Comm. on Governmental Affairs (Jan. 7, 1993) [hereinafter Orchard Interview].

suspect believed to be a kingpin of the counterfeit credit card industry.¹⁷⁷ The arrest occurred after several Chinese were arrested in the U.K. with counterfeit cards traced back to Hong Kong.¹⁷⁸ The Hong Kong police were able to seize the manufacturing equipment.¹⁷⁹ Nevertheless, the suspect was still considered only a soldier in the triad organization.¹⁸⁰ Even assuming that these mid-level groups have the money to pay civil damages, this does little to deter the overall organization from providing aid and assistance to other counterfeiting groups.¹⁸¹

2. Identifying the Assets

As evidenced by the preceding section, those arrested for credit card counterfeiting are usually not the top leaders of the triads and only rarely are the major players in credit card counterfeiting. Even then, those arrested seldom hold any significant assets in their own names in order to keep their vulnerability as low as possible.¹⁸²

The use of Anton Pillar orders is also limited against such criminal organizations.¹⁸³ First, they are only effective against the records, documents, evidence, and instrumentalities of the crime.¹⁸⁴ For example, this means that such orders are ineffective to seize the warehouse in which the activity is taking place, or even a pile of cash, unless the cash could definitely be linked to the proceeds from the counterfeit credit cards.¹⁸⁵ Second, there exists a certain amount of danger in serving such an order; such efforts are inadvisable without the protection of law enforcement personnel.¹⁸⁶ Only the police can secure any assets that are not specifically covered in an Anton Pillar order. Thus, the investigative resources of the police provide the best hope for uncovering any links between those arrested and their assets.¹⁸⁷

3. Problems with Attaching Assets

In certain cases, Hong Kong courts allow for the attachment of assets in order to ensure that any judgment given is enforceable.¹⁸⁸ As a prerequisite, Hong Kong courts assume that the law enforcement authorities must have identified the counterfeiters, established that such counterfeiters are in control of substantial assets, and linked those assets to the counterfeiters.¹⁸⁹

177. Grove Interview, *supra* note 74.

178. *Id.*

179. *Id.*

180. *Id.*

181. Orchard Interview, *supra* note 176.

182. Grove Interview, *supra* note 74.

183. *Id.*

184. Bigger, *supra* note 132, at 257.

185. Grove Interview, *supra* note 74.

186. *Id.*

187. *Id.*

188. See generally *Brown v. Shaw*, [1971] H.K.L.R. 152 (discussing the use of orders attaching a defendant's assets).

189. See *supra* notes 164-87 and accompanying text (discussing the problems of identifying the counterfeiters and their assets).

In *Brown v. Shaw*,¹⁹⁰ the court described the process for seizing assets.¹⁹¹ First, if the defendant is about to dispose of his property or remove it from the jurisdiction of the court, the plaintiff may apply to the court to require the defendant to furnish security sufficient to satisfy any potential judgment.¹⁹² Second, in the event that the defendant fails to furnish such security, the plaintiff may ask the court to attach any property belonging to the defendant.¹⁹³ Finally, the plaintiff must file an affidavit with the court to the effect that the defendant is about to dispose of his property or remove it from the jurisdiction in order to avoid paying a judgment.¹⁹⁴

However, the court emphasized that the defendant must have a chance to furnish security or show cause why his assets should not be attached.¹⁹⁵ The court has no power to make an absolute order without providing the defendant with this opportunity.¹⁹⁶ Therefore, plaintiffs must rely on Anton Pillar orders or Mareva injunctions for any ex parte proceedings against the defendant.¹⁹⁷ On the other hand, like Anton Pillar orders and Mareva injunctions, the plaintiff must show a real risk that the defendant would attempt to dissipate his assets to avoid paying the judgment.¹⁹⁸ In addition, any criminal fines will likely take precedent before civil damages.¹⁹⁹

B. The Major Advantage

The biggest advantage with trademark infringement actions may lie after law enforcement agencies have identified a counterfeiting group and charged them in a criminal proceeding. This allows banks and credit card companies to pressure counterfeiting groups from three different angles: Custom and Excise for trademark and counterfeiting violations, the police for fraud and theft, and the victims themselves through civil actions.

Criminal and civil actions can be undertaken simultaneously.²⁰⁰ Where the infringer is a retail outlet, actions by Customs and Excise are recommended because these government agencies are fast, efficient, and inexpensive.²⁰¹ However, civil actions can result in substantial orders for costs and damages being made against the infringer.²⁰² "[In general] counterfeiters will stop copying a particular product when it is no longer profitable to do so."²⁰³

190. [1971] H.K.L.R. 152.

191. *Id.* at 157.

192. *Id.*

193. *Id.*

194. *Id.*

195. *Id.* at 163.

196. *Id.* at 165-66.

197. See *supra* notes 132-59 and accompanying text (discussing Anton Pillar orders and Mareva injunctions).

198. Hancock Interview, *supra* note 100. See *Brown v. Shaw*, [1971] H.K.L.R. 152, 157 (detailing the requirements for attachment of assets).

199. Hancock Interview, *supra* note 100.

200. HORWITZ, *supra* note 98, at HK 7-16.

201. *Id.* at HK 7-17.

202. *Id.*

203. *Id.*

The enforcement of judgments is problematical, particularly in Hong Kong. Given the diffused nature of the triads, it is difficult to link the defendants on trial with the businesses and assets of the triad where much of the money lies, or even with any assets belonging to the defendants themselves.²⁰⁴ Consequently, a successful judgment for trademark infringement is a rare circumstance.

Notwithstanding the difficulty in identifying and pursuing such criminal organizations the use of trademark law could serve the same purpose as the recent successful money laundering efforts against drug traffickers. Both drug trafficking and counterfeiting are profit-based businesses. Interfere with the profits—even with limited success—and you interfere, at least somewhat, with the incentive for continuing with the activity. Thus both civil and criminal remedies have a role in protecting credit card companies and their banks from losses sustained from counterfeit credit cards. At the very least, it is an additional arrow in the card company's quiver that should not be completely overlooked.

C. A More Effective Solution

Because of the rare chance for success offered by trademark remedies, criminal sanctions still provide the best deterrent against counterfeit credit cards. Here, practitioners involved with the credit card companies and issuing banks can also play a significant role.

In several different countries, banking associations, with the assistance of the credit card companies, have lobbied local authorities to enact strict criminal penalties for credit card counterfeiting.²⁰⁵ For example, losses in Europe from counterfeit credit cards dropped eleven percent between May 1991 and May 1992, due partly to recently enacted legislation in France and Italy.²⁰⁶ Similar efforts are underway in Canada with the assistance of Visa and its member banks.²⁰⁷

Hong Kong is committed to enforcing its laws against counterfeit credit cards. As a former FBI officer in Hong Kong stated, "[T]hey love to go after these guys."²⁰⁸ However, there is room for credit card companies and member banks to lobby the local authorities for harsher penalties.²⁰⁹ Currently, the maximum sentence for credit card counterfeiting is five years, with those convicted usually serving approximately one to three years of their sentence.²¹⁰ In contrast, France imposes a seven-year penalty, while the United States imposes up to twenty years for multiple offenses.²¹¹

204. Grove Interview, *supra* note 74.

205. Sickles Interview, *supra* note 1. See VISA INT'L, *supra* note 13 (setting forth recent criminal legislation in France, Italy, and Finland).

206. Sickles Interview, *supra* note 1.

207. *Id.* See *Hearings*, *supra* note 39, at 4-6 (statement of Donn Sickles) (detailing Visa's efforts overseas). These efforts include educational programs for member banks and local law enforcement authorities, a program to identify nations targeted by the triads because of inadequate laws and enforcement, and continuing meetings with international investigative agencies such as Interpol.

208. Grove Interview, *supra* note 74.

209. *Id.*

210. *Id.*

211. VISA INT'L, *supra* note 13. See 18 U.S.C. § 1029(c) (1993) (setting forth the penalties for violations of the Credit Card Fraud Act of 1984).

V. CONCLUSION

Counterfeit credit cards result in an estimated worldwide loss of \$200 million annually, which lead to increased costs to the merchants and higher interest rates to the cardholders.²¹² Practitioners representing the credit card companies and issuing banks would benefit from a civil remedy—such as that for trademark infringement—that is not wholly dependent on foreign law enforcement policies.²¹³

With regard to counterfeit credit cards, plaintiffs will easily be able to prove the requirements for trademark infringement in Hong Kong, the center of the “plastic triangle.”²¹⁴ The major credit cards certainly have an established reputation in a tourism center such as Hong Kong. In addition, the counterfeit cards are of such high quality that they almost always confuse target merchants into believing that the cards are genuine and that the services they represent are valid. Finally, both the genuine and counterfeit cards are used in the common field of activity of purchasing goods.²¹⁵ Recently, Hong Kong allowed the registration of service marks, which now enables card companies to take advantage of the remedies for infringing a registered mark.²¹⁶

While the theory behind the use of trademark infringement is valid, the practical implications raise a number of obstacles as to its effectiveness. Counterfeit credit cards in Hong Kong are the purview of the Asian triad groups similar to organized crime syndicates in the U.S.²¹⁷ These groups are very difficult to identify; members often move from one group to another, and only rarely are the leaders ever arrested.²¹⁸ Of those who are arrested, few have any assets in their name.²¹⁹

The most notable advantage in pursuing a trademark infringement remedy may lie after a counterfeiting group has been identified and charged in a criminal proceeding.²²⁰ In the limited instances when authorities can link assets to a group in custody, trademark infringement will serve to put added pressure on the counterfeiting groups, making it a less profitable enterprise for the counterfeiters. Since this is likely to occur in limited circumstances, a more effective solution still lies in the enforcement of local criminal

212. Sickles Interview, *supra* note 1.

213. See *supra* notes 8-36 and accompanying text (discussing the purpose and scope of this Comment).

214. See *supra* notes 95-122 and accompanying text (applying Hong Kong's trademark law to counterfeit credit cards).

215. See *supra* notes 112-17 and accompanying text (discussing common fields of activity).

216. HORWITZ, *supra* note 98, at HK 1-6, 7-2 & n.2.

217. See *supra* notes 47-49 and accompanying text (discussing the counterfeiting activities of the Asian triad groups).

218. See *supra* notes 164-81 and accompanying text (detailing the problems of identifying the counterfeiters).

219. Grove Interview, *supra* note 74. See *supra* notes 182-87 and accompanying text (discussing the difficulties in linking counterfeiters and their assets).

220. See *supra* notes 200-04 and accompanying text (addressing the advantage of trademark actions against the triads).

sanctions.²²¹ Practitioners can aid their clients by working with local banking associations and law enforcement authorities for strict enforcement and stiffer penalties.²²²

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221. See *supra* notes 205-11 and accompanying text (setting forth Visa's efforts along these lines).

222. See *id.*

APPENDIX A

Trademark Counterfeiting Act of 1984²²³

The text of the portions of the act relevant to this Comment reads as follows:

Sec. 1503. "The Act entitled 'An Act to provide for the registration and protection of trademarks used in commerce, to carry out the provisions of certain international conventions, and for other purposes', approved July 5, 1946 (15 U.S.C. 1051 *et seq.*) is amended

"(d)(1)(A) In the case of a civil action arising under section 32(1)(a) of this Act (15 U.S.C. 1114) . . . with respect to a violation that consists of using a counterfeit mark in connection with the sale, offering for sale, or distribution of goods and services, the court may, upon ex parte application, grant an order under subsection (a) of this section pursuant to this subsection providing for the seizure of goods and counterfeit marks involved in such violation and the means of making such marks, and records documenting the manufacture, sale, or receipt of things involved in such violation.

"(B) As used in this subsection the term 'counterfeit mark' means—

"(i) a counterfeit mark that is registered on the principal register in the United States Patent and Trademark Office for such goods and services sold, offered for sale, distributed and that is in use, whether or not the person against whom relief is sought knew such mark was registered; or . . .

"but such term does not include any mark or designation used in connection with goods or services of which the manufacture or producer was at the time of the manufacture or production in question authorized to use the mark or designation for the type of goods or services so manufactured or produced, by the holder of the right to use such mark or designation.

"(2) The court shall not receive an application under this subsection unless the applicant has given such notice of the application as is reasonable under the circumstances to the United States attorney for the judicial district in which such order is sought. Such attorney may participate in the proceedings arising under such an application if such proceedings may affect evidence of an offense against United States. The court may deny such application if it determines that the public interest in a potential prosecution so requires.

"(3) The application for an order under this subsection shall—

"(A) be based on an affidavit or the verified complaint establishing facts sufficient to support the findings of fact and conclusions of law required for such an order; and

"(B) contain the additional information required by paragraph (5) of this subsection to be set forth in such order.

"(4) The court shall not grant such an application unless—

"(A) the person obtaining the order under this subsection provides the security determined adequate by the court for the payment of damages as

223. Pub. L. No. 98-473, §§ 1502, 1503, 98 Stat. 2178, 2178-83 (1984) (amending the Lanham Act (codified at 15 U.S.C. §§ 1051-1127)).

any person may be entitled to recover as a result of a wrongful seizure or wrongful attempted seizure under this subsection; and

"(B) the court finds that it clearly appears from specific facts that—

"(i) an order other than an ex parte seizure order is not adequate to achieve the purposes of section 32 of this Act (15 U.S.C. 1114);

"(ii) the applicant has not publicized the requested seizure;

"(iii) the person is likely to succeed in showing that the person against whom the seizure would be ordered used a counterfeit mark in connection with the sale, offering for sale, or distribution of goods or services;

"(iv) an immediate and irreparable injury will occur if such seizure is not ordered;

"(v) the matter to be seized will be located at the place identified in the application;

"(vi) the harm to applicant of denying the application outweighs the harm to the legitimate interests of the person against whom seizure would be ordered of granting the application; and

"(vii) the person against whom the seizure would be ordered, or persons acting in concert with such person, would destroy, move, or hide, or otherwise make such matter inaccessible to the court, if the applicant were to proceed on notice to such person

"(b) In assessing damages under subsection (a), the court shall, unless the court finds extenuating circumstances, enter judgement for three times such profits or damages, whichever is greater, together with reasonable attorney's fees, in case of any violation of section 32(1)(a) of this Act (15 U.S.C. 1114(1)(a)) . . . that consists of intentionally using a mark or designation, knowing such mark or designation is a counterfeit mark (as defined in section 34(d) of this Act (15 U.S.C. 1116(d)), in connection with the sale, offering for sale, or distribution of goods or services. In such cases, the court may in its discretion award prejudgment interest on such amount at an annual interest rate established under section 6621 of the Internal Revenue Code of 1954, commencing on the date of the service of the claimants pleadings setting forth the claim for such entry and ending on the date such entry is made, or for such shorter time as the court deems appropriate"; and

(3) in section 36 (15 U.S.C. 1118), by adding at the end of section

"The party seeking an order under this section for destruction of articles seized under section 34(d) (15 U.S.C. 1116(d)) shall give ten days notice to the United States attorney for the judicial district in which such order is sought (unless good cause is shown for lesser notice) and such United States attorney may, if such destruction may affect evidence of an offense against the United States, seek a hearing on such destruction or participate in any hearing otherwise held with respect to such destruction."

APPENDIX B

Trademark Ordinance of Hong Kong²²⁴

The relevant portions of Hong Kong law are as follows:

"1. This Ordinance may be cited as the Trade Marks Ordinance.

"2. (1) 'trade mark' means except in relation to a defensive or a certification trade mark, a mark used or proposed to be used in relation to goods for the purpose of indicating, or so as to indicate a connection in the course of trade between the goods and . . . person having the right either as proprietor or as registered owner to use the mark, whether with or without any indication of the identity of that person, and means, in relation to a defensive trade mark, a mark registered under section 55, and in relation to a certification trade mark, a mark registered or deemed to have been registered under section 64 . . . ;

"27. (1) Subject to the provisions of subsections (2) to (4) hereof, and of sections 33 and 34, the registration (whether before or after the commencement of this Ordinance) of a person in Part A of the register as proprietor of a trade mark (other than a certification trade mark) in respect of any goods shall, if valid, give or be deemed to have given to that person the exclusive right to the use of the trade mark in relation to those goods and, without prejudice to the generality of the foregoing words, that right shall be deemed to be infringed by any person who, not being the proprietor of the trade mark or a registered user thereof using by way of the permitted use, uses a mark identical with it or so nearly resembling it as to be likely to deceive or cause confusion, in the course of trade, in relation to any goods in respect of which it is registered, and in such manner as to render the use of the mark likely to be taken either—

"(a) as being use as a trade mark; or

"(b) in a case in which the use is use upon the goods or in physical relation thereto or in an advertising circular or other advertisement issued to the public, as importing a reference to some person having the right either as proprietor or as registered user to use the trade mark or to goods with which such a person as aforesaid is connected in the course of trade

"(3) The right to the use of a trade mark given by registration as aforesaid shall not be deemed to be infringed by the use of any such mark as aforesaid by any person—

"(a) in relation to goods connected in the course of trade with the proprietor or a registered user of the trade mark if, as to those goods or a bulk of which they form part, the proprietor or the registered user conforming to the permitted use has applied the trade mark and has not subsequently removed or obliterated it, or has at any time expressly or impliedly consented to the use of the trademark; or

"(b) in relation to goods adapted to form part of, or to be accessory to, other goods in relation to which the trade mark has been used without infringement of the right given as aforesaid or might for the time being be so used, if the use of the mark is reasonably necessary in order to indicate that the goods are so

224. Trade Marks Ordinance, Ch. 43, Laws of Hong Kong (Rev. Ed. 1986).

adapted and neither the purpose nor the effect of the use of the mark is to indicate otherwise than in accordance with the fact a connection in the course of trade between any person and the goods.

"(4) The use of a registered trademark, being one of 2 or more registered marks which are identical or nearly resemble each other, an exercise of the right to the use of that trade mark given by registration as aforesaid, shall not be deemed to be an infringement of the right so given to the use of any other of those trade marks. Each registered proprietor of such a trade mark shall otherwise have the same rights as if he were the sole registered proprietor thereof.

"29. In all legal proceedings relating to a registered trade mark (including applications under section 48) the fact that a person is registered as proprietor of such trade mark shall be prima facie evidence of the validity of the original registration of such trade mark and of all subsequent assignments and transmissions thereof."

